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**Before the Subcommittee on Africa,
Global Human Rights and International Operations
of the
House Committee on International Relations
on**

The World Hunger Crisis

May 25, 2006

Mr. Chairman, Congressman Payne, and Members of the Subcommittee, thank you for the opportunity to present the views of Oxfam America at this hearing today. Oxfam appreciates the invitation and your interest in gathering a variety of perspectives on the critical issue of food aid.

Oxfam America is an international development and relief agency committed to developing lasting solutions to poverty, hunger, and injustice. We are part of a confederation of 12 Oxfam organizations working together in more than 100 countries around the globe with an annual budget over \$400 million dollars.

1. The importance of food aid.

There is no more important issue facing this committee than the hunger and malnutrition which afflicts more than 840 million people across the globe. The numbers boggle the mind and are, quite simply, a human tragedy. In sub-Saharan Africa, as much as 30 percent of the population is undernourished.

Reducing by half the proportion of people suffering from hunger by 2015 is a key target for the Millennium Development Goals (MDGs). The right to food is enshrined in numerous international instruments, including the *Universal Declaration on Human Rights*, the *International Covenant on Economic, Social and Cultural Rights*, and many others.ⁱ However, the world's farmers produce more than enough food to fulfill the minimum caloric needs of humanity. According to

the Food and Agriculture Organization of the United Nations (FAO), in 2001 the total global food supply amounted to 2,800 calories and 76 grams of protein per person per day – plenty to nourish the world’s population and remove chronic hunger.ⁱⁱ

Yet fulfilling the right to food, achieving the Millennium Development Goal 1, and reducing hunger is not as simple as redistributing food from countries producing surpluses to countries in deficit. A broad focus on poverty reduction, agricultural productivity, good governance, reduced conflict are needed to address hunger.

However, many acute situations - wars, famine, and natural disasters - call for food aid as an essential tool.

Unfortunately, the global food aid system needs improvement. Too often, food aid is not provided at the right time, at the right place, or in sufficient quantities. Despite great need, global food aid flows actually declined during the 1990s from a peak of 17m tons in 1993 to less than 10m tons today. In most years, donors fail to fulfill the World Food Program’s emergency appeals for assistance, providing an average of 85 per cent of requested food aid.ⁱⁱⁱ

Meeting the critical needs of people facing emergencies or dislocations is increasingly becoming the focus of US food aid. Emergency food aid is the largest portion of US and global food aid, currently accounts for more than two-thirds of all food aid. Faced with limited budgets, the composition of US food aid has been shifting toward emergency response in recent years. For decades, non-emergency, government-to-government, “program” food aid made up the bulk of food aid distribution. However, this kind of program food aid has declined in recent years. In cereal foods, it accounted for 58 per cent of the total from all donors between 1988 and 1991, but its share fell to 19 per cent from 2000 to 2003. Emergency food aid grew from 18 per cent of global flows in the 1988–1991 period to 57 per cent in 2000–2003.

The USA is by far the most generous donor of food aid. And this food aid is critically important for hundreds of thousands – even millions – of people around the globe. But we can not congratulate ourselves when so many continue to suffer food insecurity and hunger. Instead, Oxfam feels that Congress should urgently look at both increasing our overall commitment to food aid, and also examining reforms to improve the effectiveness of food aid.

2. The need for more, and for better food aid.

US food aid provides a critical lifeline for hungry people. But Congress should consider increasing the overall amount of resources available, and also consider important reforms to improve the effectiveness of US food aid.

On the other hand, increasing the US commitment on food aid should be complemented with reforms to maximize the value of taxpayer dollars. Currently, the US food aid programs are encumbered by restrictions and requirements that waste resources and undermine the mission of helping to feed people in need.

A major obstacle is Congressional requirements that food aid be exclusively American commodities sent on US-flagged ships. To comply with Congressional restrictions, the government restricts bids for sales of surplus agricultural commodities to a limited list of pre-qualified US-based agribusiness companies. The US also has a cargo preference requirement that mandates 75 per cent of all food aid transport be handled by shipping companies carrying the US flag.

These restrictions add enormous costs and delays to the US food aid. The cargo preference requirement adds as much as 78 percent to the cost of shipping. The added costs mean that procurement, storage, and shipping can eat as much as 50 percent of food aid budgets.^{iv}

Instead, virtually all US food aid donations are made in the form of food commodities. Although the US and other humanitarian agencies have created effective food aid programs around these commodities, there is little humanitarian or development justification for donating in commodities rather than in cash. Indeed, there are strong arguments to the contrary.

First, cash is usually faster. In humanitarian emergencies, where weeks or even days can mean the difference between life and death, there is no excuse for delay. It can take months from the date of a procurement order for food aid to be delivered to port. US emergency shipments experienced a median lag of nearly five months in 1999–2000, due to bureaucracy and cumbersome procurement restrictions — and, of course, the need to ship food over long distances.^v By contrast, cash can be used to procure food locally or regionally, in close proximity to the places it is needed. In most cases (though not all), purchasing food closer to its intended destination reduces the time delay.

Cash gives decision-makers more flexibility in addressing emergencies.

Second, cash is cheaper. The inefficiency of sending food over long distances, with restrictive procurement and shipping requirements, means that funds are spent on bureaucracy, process, and shipping rather than on the food and its

distribution. In fact, according to a study by the OECD, shipping food from donor countries is 33 per cent more expensive than buying it from a third-party country (usually closer to the destination) and 46 per cent more expensive than buying it locally in the destination country.^{vi} Purchasing food locally is not always possible – but it often is.

Third, cash can be used to procure better, or more appropriate, aid. Rather than limiting food aid to commodities available in donor countries, cash can be used to procure food that is more appropriate to local conditions and tastes. In the past, there have been serious mismatches between food aid donations and recipient needs. There are many anecdotal examples of food aid donations that require unfamiliar preparation or impose new burdens on recipients through introduction of exotic foods that are not well suited to local conditions. Some food aid packages can require more cooking time, for instance, requiring recipients to expend more time and energy collecting firewood. Donors should attempt to ensure that food aid supports and enhances longer-term development.

Cash can also be used to flexibly to purchase things other than food. Even for hungry people, food is not always their highest priority. In recent months, Oxfam has been experimenting with making cash transfers in emergencies rather than distributing food rations. In southern Africa, Oxfam identified communities with significant food deficits, affected by poor rains, but where food was available in local markets. Oxfam targeted identified households with few assets, and high vulnerability. Rather than distribute food rations, Oxfam provided cash transfers. While final results of these experiments are being evaluated, the results are both encouraging and intriguing. One, we find that recipients spend most of the money on food – 88 percent in early surveys. Oxfam found indications that the dietary diversity increases with cash rather than food distribution. Cash not used for food was spent on useful household expenses including farm implements and medicines. Final results from these experiments will be available soon.

Providing cash, rather than commodities, is a much more flexible tool, and permits more creative responses to emergencies. Many countries have already begun shifting food aid donations from commodities to cash, and most donors have taken steps to decouple food aid policy from commodity surpluses. Some, like the EU, have taken steps to provide more flexibility in the use of food aid budgets, permitting more use of food aid funds to purchase commodities in local or regional markets. Last year, Canada announced that up to 50 percent of Canada's food aid will be available for purchase in developing countries.

In January, President Bush proposed the make up to \$300 million of the US food aid budget available for purchase of food in developing countries. Providing this

flexibility could be a major improvement of the US food aid program. Tying food aid to US commodities and services really makes little difference to our economy. Food aid is a small fraction of total US food exports: 5.1m tonnes in food aid in 2002, while its total cereals exports were 82m tonnes.^{vii} On the other hand, providing the flexibility to purchase food from developing countries could serve as a major boost to their agriculture sectors and long-term food security. Even in Africa, while some countries face food crises, other countries enjoy food surpluses. The gross impact of food aid for donors – including the USA – is certainly small. But it can have significant impacts on smaller economies and on the poor farmers who rely on local markets for their livelihoods.

3. Food aid and trade negotiations.

If all food aid contributions were made in unrestricted cash donations, there would be little or no controversy around food aid. Certainly, there would be little concern about its trade-distorting impacts. If contributions were made in unrestricted cash, the WFP, governments, and NGOs could purchase food on open commercial markets and distribute it to hungry people as quickly and efficiently as possible.

Food aid has become a controversial issue in the Doha Round trade negotiations. At the WTO, other countries are calling for new rules to regulate possible abuses of food aid. The primary target of these rules has been the US food aid program.

In theory, food aid is potentially trade-distorting, and food aid will satisfy consumer demand whenever it is distributed. In places where people are simply too poor to purchase food, or where there is no functioning market, there is little or no market distortion as any consumption will be additional. In other cases, food aid has the potential both to reduce domestic production of food in the recipient country, damaging the livelihoods of rural populations, and to displace exports into the recipient country market from other countries.

Critics point out that there have been abuses of US food aid in the past, and note that commercial motives are explicitly included in some US food aid programs. Our trading partners are suspicious of US motives in food aid. This is because some US food aid programs retain commercial and geopolitical objectives rather than humanitarian goals. The USA remains the biggest user of food aid (Title I) – that is government-to-government transfers, mostly in the form of concessional sales. There is poor linkage of this food aid with anti-hunger or poverty goals and yet there is strong evidence that this kind of food aid does, indeed, crowd out other commercial exporters. While the use of this type of food aid has

declined in recent years, there were large spikes as recently as the late 1990s, when the US made large shipments to Russia.

One reason our trading partners are seeking to use the WTO negotiations to regulate food aid is the weakness of oversight institutions on food aid. The Consultative Subcommittee on Surplus Disposal (CSSD) is hosted by the FAO and is made up of both donor and recipient governments. While the CSSD has little real enforcement authority, it has served as a reporting and oversight body, as well as a forum for complaints about food aid abuses. However, reporting of food aid transactions under the CSSD has been notoriously poor in recent years. While in 1991 average reporting rates were nearly 80 per cent of transactions, by 2001 they had dropped to a record low of just 4 per cent.^{viii}

Another oversight body, the Food Aid Convention (FAC) is meant to enhance the capacity of the international community to respond to emergencies by guaranteeing a predictable flow of food aid each year irrespective of fluctuations in price or supply. The agreement has been periodically updated and revised, and was scheduled to be re-negotiated in 2002. However, negotiations on a new FAC have been put on hold pending action on food aid disciplines at the WTO. Like the CSSD, the FAC lacks a binding enforcement or dispute settlement mechanism. While both the CSSD and the FAC offer some help, neither is adequate to instigate reform or impose the discipline needed on food aid.

On the whole, new rules at the WTO should be seen as a possible benefit for food aid. Oxfam feels they could help to focus and improve food aid programs while eliminating abuses and inefficiency. Many developing countries agree.

In March, the African Group and the least-developed-country group submitted a proposal to regulate food aid under the WTO^{ix}. The proposal would exempt emergency food aid from any WTO regulation. But, for non-emergency food aid, the proposal would require food aid to be in grant form, remove commercial interests from food aid programs, and prohibit market development objectives for donors. In addition, the African and LDC groups would restrict monetization to fund activities directly related to the provision of food aid or for procurement of agricultural inputs. These seem like reasonable and modest reforms.

4. Recommendations

Oxfam believes that food aid is essential to humanitarian response. But Congress should take steps to increase and improve US food aid programs.

- A. Congress should increase food aid budgets to \$2 billion annually.

- B. Congress should approve President Bush's request to make up to \$300 million available for local or regional purchase of food.
- C. The US should seek to reform and reinvigorate the Food Aid Convention to provide strong governance, best practice guidelines, and enforce commitments of food aid contributions.

Thank you again for this chance to share Oxfam's perspective.

In keeping with clause 2(g)(4) of House Rule XI, I affirm that Oxfam America does not receive any Federal grant funding.

For more information, see www.maketradefair.com and Oxfam America's website: www.oxfamamerica.org.

ⁱ A discussion on the legal and historical underpinnings of the right to food can be found on the website of the UN Special Rapporteur on the Right to Food, at: <http://www.righttofood.org/>

ⁱⁱ Cook, C. D. (2004) *Diet for a Dead Planet: How the Food Industry is Killing Us*, New York: New York Press

ⁱⁱⁱ Webb, Patrick., "Food as Aid: trends, needs and challenges in the 21st century", World Food Program, 2004.

^{iv} Barrett, C.B. and D.G. Maxwell (forthcoming), *Food Aid After Fifty Years: Recasting Its Role*, chapters 5 and 8. Routledge

^v Ibid., chapter 8

^{vi} Clay, E., in collaboration with B. Riley and I. Urey (2004) 'The Development Effectiveness of Food Aid and the Effects of its Tying Status', OECD Development Assistance Committee, 21 October 2004, (DCD/DAC/EFF(2004)9)

^{vii} Food and Agriculture Organization of the United Nations (FAO), searchable database, FAOSTAT On-Line Statistical Service, at: http://earthtrends.wri.org/searchable_db/index.cfm?theme=8. FAO: Rome, 2004

^{viii} Consultative Sub-Committee on Surplus Disposal: Thirty-Ninth Report to the Committee on Commodity Problems, 64th Session, Rome, 18-21 March 2003

^{ix} "Joint Submission by the African and LDC Groups on Food Aid", 6 March 2006, WTO: TN/AG/GEN/13